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C O N F I D E N T I A L SECTION 01 OF 02 TAIPEI 001837

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SUBJECT: DUSTR BHATIA'S MEETING WITH PREMIER SU TSENG-CHANG

Classified By: AIT Deputy Director David J. Keegan, Reason 1.4 b

¶1. (C) Summary. Deputy USTR Karan Bhatia called on Taiwan Premier Su Tseng-chang on May 26, the second day of the U.S.-Taiwan TIFA talks in Taipei. Stressing Taiwan's cooperation with the U.S. on export controls, pharmaceuticals, and other trade issues, Su urged the U.S. to consider a bilateral FTA. DUSTR Bhatia expressed U.S. commitment to strengthening bilateral trade relations, urged Taiwan cooperation on the Doha round, but explained "frankly" that an FTA would be very difficult. End Summary.

Stressing Taiwan Cooperation, Premier Su Appeals for FTA  
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¶2. (C) Premier Su Tseng-chang welcomed DUSTR Bhatia, explaining that Taiwan has worked extremely hard in preparation for the U.S.-Taiwan Trade and Investment Framework Agreement (TIFA) meetings. President Chen Shui-bian, he said, places great weight on the TIFA talks and had instructed his ministers to give top priority to the meeting. Su, in turn, assigned Vice Premier Tsai to oversee planning for the talks. The large U.S.-Taiwan bilateral trade, he continued, was particularly significant given that Taiwan is geographically small and has a relatively small population. Taiwan's close cooperation with the U.S. on pharmaceuticals, export controls, and other areas, moreover, reflected the importance Taiwan attaches to bilateral trade relations with the U.S. In the face of considerable legislative opposition, he noted, his Executive Yuan (EY) had boldly decided to permit importation of U.S. beef. In turn, Taiwan, he said, appreciates U.S. support of Taiwan in international organizations, particularly WTO and WHO. Premier Su was accompanied by Ministry of Economic Affairs (MOEA) Deputy Minister Steve Chen (Ruey-long) and Council on Economic Planning and Development (CEPD) Chairman Hu Sheng-chang.

¶3. (C) Given Taiwan's dependency on trade, including regional trade in East Asia, Premier Su continued, Taiwan hopes for a bilateral Free Trade Agreement (FTA) with the U.S., which would be beneficial to both sides. An FTA, he argued, would assist Taiwan's efforts to integrate into the region in the face of the growing regional integration and regional trade agreements. Taiwan's exclusion from these trends is the source of great frustration for Taiwan. Conclusion of a TIFA this week, Su concluded, would provide a firm base for future bilateral FTA discussions.

DUSTR Bhatia Stresses Doha, Downplays an FTA  
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14. (C) DUSTR Bhatia expressed appreciation for the warm welcome he and his delegation had received in Taipei, noting in particular his very useful meetings with Vice Premier Tsai Ing-wen, MOEA Minister Hwang Ing-san and Deputy Minister Steve Chen. Conveying greetings from Washington and from President Bush, he explained that there was a great deal of interest in Washington in the TIFA discussions. Bhatia complimented Taiwan's readiness to work on a range of trade issues, including pharmaceuticals and export controls. The purpose of the TIFA discussions and of his own visit, he explained, was to strengthen the already strong economic ties between the U.S. and Taiwan, with bilateral trade totaling USD 60 billion and growing. There were always areas in which we can improve, on regulatory and other issues, and this was the aim of the TIFA process.

15. (C) In addition to specific bilateral trade issues, DUSTR Bhatia continued, the U.S. wanted to discuss global and regional trade issues with Taiwan. In particular, the U.S. is focusing on the Doha Round. The U.S. appreciates Taiwan's support and hopes, in particular, to secure Taiwan's accession to the WTO Government Procurement Agreement. The U.S. wants to discuss economic growth and development in the East Asia region, in which the U.S. intends to play a part and supports Taiwan also playing a part. The U.S. also wants to discuss cross-Strait economic cooperation, which plays an important role in attracting American business to Taiwan by enabling Taiwan to serve as a convenient base of operations for the PRC and East Asia.

16. (C) The U.S. places high priority on the future of U.S.-Taiwan bilateral economic relations, DUSTR Bhatia told Premier Su. He promised to relay Su's points on a bilateral FTA to Washington, noting that Vice Premier Tsai and MOEA

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Minister Hwang had also spoken strongly and articulately on the FTA issue. "In the interests of frankness," Bhatia continued, he wanted to explain to Su that the U.S. is now heavily focused on the Doha Round and on concluding FTA discussions already well under way with several trading partners and that to undertake FTA discussions with Taiwan would be extremely difficult. He understood Su's concerns about Taiwan's regional economic marginalization, he continued, and it was his hope that his current visit to Taipei demonstrated U.S. commitment to Taiwan. The U.S., he concluded, is committed to both bilateral trade relations and Taiwan's participation in regional and international trade regimes. Bilateral trade discussions and cooperation should not end with TIFA, he stressed, but rather this should be the beginning of sectoral discussions. This trade engagement demonstrates that the U.S. and Taiwan are closely linked and are moving forward.

Post TIFA  
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17. (C) Premier Su responded that he believes the TIFA talks will move U.S.-Taiwan bilateral relations "to a higher level." DUSTR Bhatia agreed and told Su that AIT Director Young and AUSTR Tim Stratford would continue pushing bilateral cooperation forward. Director Young had demonstrated in his short tenure that he is a strong advocate for bilateral relations, while AUSTR Stratford will return soon and often to Taiwan for further discussions. Su responded that Young and Stratford know Taiwan very well and can communicate with Taiwan, not only in Chinese "but even in Taiwanese."

(This cable has been cleared by USTR.)

KEEGAN